

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

|   |                             |  |                     |
|---|-----------------------------|--|---------------------|
| Local Government Type<br><input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other |                             | Local Government Name<br>City of Kalamazoo Perpetual Care Fund | County<br>Kalamazoo |
| Audit Date<br>December 31, 2004   | Opinion Date<br>May 5, 2005 | Date Accountant Report Submitted to State:<br>June 23, 2005    |                     |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

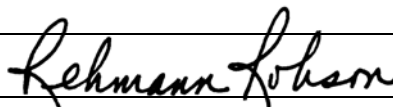
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

| We have enclosed the following:   | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations.                                   |          |                 | X            |
| Reports on individual federal financial assistance programs (program audits). |          |                 | X            |
| Single Audit Reports (ASLGU).   |          |                 | X            |

|   |                 |             |              |
|---|-----------------|-------------|--------------|
| Certified Public Accountant (Firm Name)<br>REHMANN ROBSON GERALD J. DESLOOVER, CPA                          |                 |             |              |
| Street Address<br>5800 GRATIOT, PO BOX 2025   | City<br>SAGINAW | State<br>MI | Zip<br>48605 |
| Accountant Signature<br> |                 |             |              |

**CITY OF KALAMAZOO, MICHIGAN**

**PERPETUAL CARE FUND**

**Financial Statements**

**For The Years Ended  
December 31, 2004 and 2003**



**REHMANN ROBSON**

*Certified Public Accountants*

**CITY OF KALAMAZOO, MICHIGAN  
PERPETUAL CARE FUND**

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**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP



**INDEPENDENT AUDITORS' REPORT**

May 5, 2005

Members of the Employee Retirement System  
Investment Committee  
City Commission of Kalamazoo  
Kalamazoo, Michigan

We have audited the accompanying financial statements of the *Perpetual Care Fund of the City of Kalamazoo, Michigan*, as of and for the years ended December 31, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Perpetual Care Permanent Trust Fund and do not purport to and do not present fairly the financial position of the City of Kalamazoo, Michigan, as of December 31, 2004 and 2003, and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Perpetual Care Fund of the City of Kalamazoo, Michigan as of December 31, 2004 and 2003, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The City has not presented Management's Discussion and Analysis for the Perpetual Care Fund as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of the financial statements.

# **FINANCIAL STATEMENTS**

**CITY OF KALAMAZOO, MICHIGAN**  
**Perpetual Care Fund**  
**Balance Sheets**  
**December 31, 2004 and 2003**

|   | <u>2004</u>                | <u>2003</u>                |
|---|----------------------------|----------------------------|
| <b>ASSETS</b>                             |                            |                            |
| <b>Assets</b>                             |                            |                            |
| Cash and cash equivalents                 | \$ 18,168                  | \$ 10,431                  |
| Investments                               | 3,909,754                  | 3,422,207                  |
| Accounts receivable                       | <u>1,008</u>               | <u>288</u>                 |
| <b>TOTAL ASSETS</b>                       | <u><u>\$ 3,928,930</u></u> | <u><u>\$ 3,432,926</u></u> |
| <b>LIABILITIES AND FUND BALANCE</b>       |                            |                            |
| <b>Liabilities</b>                        |                            |                            |
| Contract payable                          | <u>\$ 4,593</u>            | <u>\$ 4,641</u>            |
| <b>Fund balance</b>                       |                            |                            |
| Reserved for cemetery care                | 1,735,160                  | 1,735,160                  |
| Unreserved, undesignated                  | <u>2,189,177</u>           | <u>1,693,125</u>           |
| Total fund balance                        | <u>3,924,337</u>           | <u>3,428,285</u>           |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b> | <u><u>\$ 3,928,930</u></u> | <u><u>\$ 3,432,926</u></u> |

The accompanying notes are an integral part of these financial statements.

**CITY OF KALAMAZOO, MICHIGAN**  
**Perpetual Care Fund**  
**Statements of Revenue, Expenditures and**  
**Changes in Fund Balance**  
**For the Years Ended December 31, 2004 and 2003**

|   | <u>2004</u>                | <u>2003</u>                |
|---|----------------------------|----------------------------|
| <b>Revenue</b>                                    |                            |                            |
| Charges for services                              | \$ 32,693                  | \$ 27,848                  |
| Interest and dividends                            | 111,661                    | 73,902                     |
| Net appreciation in the fair value of investments | <u>582,295</u>             | <u>1,026,668</u>           |
| Total revenue                                     | 726,649                    | 1,128,418                  |
| <b>Expenditures</b>                               |                            |                            |
| Professional fees                                 | <u>23,253</u>              | <u>18,010</u>              |
| Revenue over expenditures                         | 703,396                    | 1,110,408                  |
| <b>Other financing uses</b>                       |                            |                            |
| Transfers to City of Kalamazoo Cemetery Fund      | <u>(207,344)</u>           | <u>(129,876)</u>           |
| Net changes in fund balance                       | 496,052                    | 980,532                    |
| Fund balance, beginning of year                   | <u>3,428,285</u>           | <u>2,447,753</u>           |
| <b>Fund balance, end of year</b>                  | <u><u>\$ 3,924,337</u></u> | <u><u>\$ 3,428,285</u></u> |

The accompanying notes are an integral part of these financial statements.

# **CITY OF KALAMAZOO, MICHIGAN**

## **Perpetual Care Fund**

### **Notes To Financial Statements**

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#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Perpetual Care Fund of the City of Kalamazoo, Michigan (the “City”) conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

**Organization** - The Perpetual Care Fund, a permanent trust fund of the City, was established to hold and manage funds for the purpose of financing the annual maintenance of the City’s cemeteries, in perpetuity. Management of the fund’s assets has been delegated to the Employee Retirement System Investment Committee by the City Commission. The Investment Committee currently contracts with Dimensional Fund Advisors, Inc. (DFA) to provide investment advisory services for the Perpetual Care Fund assets.

**Reporting Entity** - The City, for financial purposes, includes all of the funds relevant to the operations of the City of Kalamazoo. However, the financial statements presented herein include only the financial position and changes in financial position of the Perpetual Care Fund and, accordingly, are not intended to present the financial position and changes in financial position of the City of Kalamazoo in conformity with generally accepted accounting principles.

**Fund Accounting** - The Perpetual Care Fund is a permanent trust fund which is used to account for assets held by the City for the care of the City cemetery. The fund utilizes the modified accrual basis of accounting.

**Cash and Cash Equivalents** - All highly liquid investments, with an original maturity of three months or less, are considered to be cash equivalents.

**Investments** – Investments are separately held by the Perpetual Care Fund and consist of mutual funds which are stated at fair value.



# **CITY OF KALAMAZOO, MICHIGAN**

## **Perpetual Care Fund**

### **Notes To Financial Statements**

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#### **2. CASH AND INVESTMENTS**

The Perpetual Care Fund's cash is deposited with other funds of the City in a pooled cash account. The cash balance in the pooled account may, at times, exceed the FDIC insured limits by a substantial amount and, accordingly, should be considered largely uninsured and uncollateralized.

Investments, managed by Dimensional Fund Advisors, Inc. (DFA), consist of a variety of fixed income and equity mutual funds. The investments are designed to comply with the requirements and restrictions of Act 177 of the Public Acts of 1937, as amended, dealing with the investment of trust funds and the investment philosophy of the fund's investment committee.

The Act provides for the investment of funds in, but not limited to, equity securities and various interest-bearing instruments.

The City's investments during the year consisted solely of fixed income and equity mutual funds. There was \$3,909,754 and \$3,422,207 invested in such funds at December 31, 2004 and 2003, respectively. Investments are normally categorized to give an indication of the level of risk assumed by the City; however, mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The City believes that the investments in these funds comply with the investment authority noted above.

#### **3. RISK MANAGEMENT**

The Perpetual Care Fund is exposed to various risks of loss related to torts, errors and omissions. The Perpetual Care Fund participates in the City of Kalamazoo's risk management program for all of these exposures. The City's risk management program is primarily a self-insured program with reinsurance for amounts in excess of aggregate loss funds. The City estimates the liability for unpaid claims (including claims incurred but not reported) and allocates the cost to all appropriate entities and funds. There is no further exposure to the Perpetual Care Fund that would require a liability to be recorded in the financial statements.

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